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Chairman: Mr. MacKay ..... (New Zealand)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kuznetsov

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The meeting was called to order at 10 a.m.

Agenda item 110: Improving the financial situation of the United Nations (*continued*)

Statement by the Controller on the current financial situation of the United Nations

1. **Mr. Sach** (Controller) said that his presentation would address four major indicators of the financial health of the United Nations, namely, assessments authorized, unpaid assessments, cash available and debt owed to Member States, in the context of the Organization's major activities.

2. First, the financial position of the two International Tribunals had improved considerably since October 2004, when a total of $80 million had been owed by 113 Member States and a recruitment freeze had been instituted. By 31 December 2004, the shortfall had been reduced to $30 million and the recruitment freeze had been lifted. Furthermore, by the end of 2004, 88 Member States had paid their contributions to both Tribunals in full, as compared to 81 at the end of 2003. However, those positive developments should not give rise to complacency. Although the number of Member States that had paid their assessed contributions in full had increased in 2004, it was still significantly lower than the number of Member States that had paid their regular budget assessments in full.

3. Trends for 2005 were mixed. By 30 April 2005, 43 Member States had paid their assessments to both Tribunals in full as compared to 37 by 30 April 2004 and the total outstanding had decreased to $150 million. However, the total amount received by 30 April 2005 had also decreased to $175 million.

4. The cash-flow situation of the Tribunals had improved slightly, although the net balance of $5 million at 31 December 2004 actually comprised a positive balance of $10 million for the International Criminal Tribunal for the Former Yugoslavia (ICTY) and a negative balance of $5 million for the International Criminal Tribunal for Rwanda (ICTR). On the basis of current trends, the Tribunals were expected to have a net negative cash balance of $24 million at 31 December 2005. However, if insufficient contributions were received during the course of the year, their debt level could be even higher.

5. Much remained to be done to ensure the financial stability of the Tribunals, given that 148 Member States had still had amounts outstanding for one or both of them at the end of April 2005. In view of the increasingly limited possibilities for cross-borrowing, Member States must make every effort to meet their financial obligations to the Tribunals in a full and timely manner. Failure to do so would endanger the successful completion of their work.

6. With regard to the regular budget, the picture was mixed. By the end of 2004, 124 Member States had paid their assessed contributions in full, as compared to 131 at the end of 2003. Nevertheless, the amount unpaid had fallen from $442 million in 2003 to $357 million at the end of 2004. As at 30 April 2005, 72 Member States had paid their assessed contributions in full and other Member States were urged to follow their example.

7. In terms of cash flow, $192 million had been available at the end of 2004. That figure comprised the General Fund and its related reserves (the Working Capital Fund and the United Nations Special Account). A similar situation was expected at the end of 2005. However, while the level of cash available for regular budget activities at the end of 2004 had been higher than expected in October, cross-borrowing from other accounts had been necessary in November and reserves had still been required at the end of 2004. It was anticipated that similar measures would be necessary from September 2005 onwards and, if Member States failed to pay their assessed contributions in full and on time, the actual outcome could involve even more cross-borrowing than anticipated.

8. In 2004, assessments for peacekeeping operations had more than doubled to over $5 billion. That dramatic increase was due in part to new operations in Burundi, Côte d'Ivoire and Haiti and to expanded operations in the Democratic Republic of the Congo, and in part to a technical issue related to peacekeeping rates, which had led to the late issuance of the bulk of peacekeeping assessments. At the end of 2004, unpaid peacekeeping assessments had amounted to over $2.5 billion, almost double the level at the end of 2003. As of 31 December 2004, Japan and the United States of America had owed almost $1.5 billion, or 57 per cent of the total, between them and Ukraine, France, China and Germany had owed in excess of $100 million each. On the other hand, by the end of 2004, 20 Member States had paid their assessed contributions for

peacekeeping operations in full and six of them — Azerbaijan, Latvia, Liechtenstein, Monaco, Poland and Singapore — had also paid in full assessments issued on 15 December 2004.

9. At the end of 2004, total cash resources for peacekeeping activities, including the Peacekeeping Reserve Fund, had amounted to $1.585 billion. However, since the General Assembly had ruled out cross-borrowing from active peacekeeping operations and had restricted the use of the Reserve Fund, only the $267 million in the accounts of closed peacekeeping missions had been available for potential cross-borrowing for the regular budget, the Tribunals and active peacekeeping operations and, of that amount, $232 million had had to be retained to cover liabilities. In addition, $140 million had been available in the Reserve Fund for new and expanded operations.

10. By 30 April 2005, payments of $1.466 billion had been received for peacekeeping operations. The amount of outstanding, due and payable assessed contributions had fallen to $1.207 billion and only the United States and Ukraine had still owed over $100 million each. However, new peacekeeping assessments totalling over $1 billion had been issued on 27 April 2005, meaning that the amount outstanding at the end of April had still been in excess of $2.2 billion, and further assessments of around $4 billion were anticipated during the course of the year. Twenty-five Member States had paid all peacekeeping assessments due and payable by 30 April 2005.

11. Current estimates indicated that a total of $1.192 billion would be available for peacekeeping activities at the end of 2005 and that, of that amount, $60 million should be available in the Peacekeeping Reserve Fund. Of the $337 million in the accounts of closed peacekeeping operations, $219 would have to be retained to cover liabilities, which left only $118 million for possible cross-borrowing. Given the fragility of the current financial situation, the Secretary-General, supported by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), had proposed that the $93 million available in the accounts of closed peacekeeping missions should be retained. That proposal was particularly important, since, without those $93 million, only $25 million would be available to cover cross-borrowing requirements that were periodically much higher.

12. As far as debt to Member States was concerned, the total amount owed to troop and equipment contributors as at 31 December 2004 had been $549 million. That figure was lower than the October projection because new obligations had been somewhat lower than expected and payments by Member States had been slightly higher. At the end of 2004, reimbursements for most missions had been running two months behind in respect of troop costs and three to six months behind in respect of contingent-owned equipment. That situation was attributable to delays in the signing of memorandums of understanding and limited cash availability in individual peacekeeping accounts.

13. It was expected that debt owed to Member States at the end of 2005 would be $79 million more than at the end of 2004, on account of an increase in new obligations. Payments to Member States were also expected to increase, since it was assumed that further memorandums of understanding with troop and equipment contributors would be signed in respect of the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Operation in Burundi (ONUB) and the United Nations Operation in Côte d'Ivoire (UNOCI) and that new memorandums would be signed for the United Nations Mission in the Sudan (UNMIS).

14. In conclusion, he expressed his special thanks to the 20 Member States — Austria, Azerbaijan, Canada, the Czech Republic, Denmark, Estonia, Finland, France, Hungary, Liechtenstein, Monaco, the Netherlands, New Zealand, Norway, Singapore, Slovakia, South Africa, Sweden, Switzerland and the United Kingdom — that had paid in full all their due and payable assessments for the regular budget, the Tribunals and peacekeeping operations. The financial picture at the end of 2004 had been mixed and, while a healthier cash flow was expected during most of 2005, it was anticipated that borrowing would be necessary for the regular budget, the Tribunals and some active peacekeeping missions during the final quarter. Debt to troop and equipment contributors was also expected to rise again. The overall situation remained fragile and Member States must make further efforts to meet their financial obligations in full and on time.

15. **The Chairman** recalled, that in accordance with established procedure, the Controller's statement would be issued as an addendum to the Secretary-General's report on improving the financial situation of the United Nations, under the symbol A/59/524/Add.1.

The meeting rose at 10.40 a.m.